Notice of Pending Sale
Of the Assets of
Duro Dakovic
Industrijska Postrojenja d.o.o.

May 2003

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1 Executive Summary

The bankruptcy administrator of the municipal court of Slavonski Brod, Croatia wishes to sell the assets of the Duro Dakovic subsidiary Industrijska Postrojenja d.o.o., which entered bankruptcy in May 2002. Certain assets of Industrijska Postrojenja d.o.o. are owned by Duro Dakovic Holding, and will be included in the offering. The bankruptcy administrator seeks bids from investors intending to carry forward the business of Industrijska Postrojenja d.o.o. and providing employment to the employees of the company.

Duro Dakovic Industrijska Postrojenja d.o.o. is engaged in the production of large steel storage tanks, pressure vessels and heat exchangers intended for the following three market sectors:

a) Oil and petrochemical industry
b) Sugar refining industry
c) Industrial plants, including cement producing plants

Duro Dakovic Industrijska Postrojenja is located in the border town of Slavonski Brod in the east of Croatia. The town is well served by good communication links and lies on the motorway linking it with the capital, Zagreb to the west and Belgrade, Serbia to the east. It also straddles the main rail line that runs west-east of the country and beyond to markets in Western Europe and South-Eastern Europe. The town is adjacent to the navigable Sava river.

Revenues are generated through sales to domestic and international customers. Recently, a major contract was signed for the manufacture of a heat exchanger for Krupp Polysius worth nearly HRK 1.3 million. Duro Dakovic has strong brand identity in the territories of the former Yugoslavia and beyond. Further increases in sales are likely as the Company participates in the upgrade of the petrochemical industry as the state owned petroleum producer INA and its oil pipeline subsidiary, JANAF upgrade their refinery, pipeline and terminal facilities.

All of the Company's manufacturing and administrative activities extending to over 13,000 m^2 are located on one self-contained site within the Duro Dakovic industrial zone (approximately 960,829 m^2). The main production processes include bending, machining, welding, heat treatment and testing of steel plates. The assets to be sold include two production halls, all equipment, raw material and work in progress.

The Company provides the investor with the following potential advantages/opportunities:

Strong technical and development base

Skilled personnel

Located adjacent to the "free zone" in Slavonski Brod with potential inclusion within the zone

Participation in upgrade of the country's oil pipeline network

For further information regarding the timing of the asset sale and the bidder requirements, please contact:

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2 Company Overview

Duro Dakovic Industrijska Postrojenja d.o.o. is a limited liability company registered in the Trade Registrar of Slavonski Brod Court under no Tt-96/418-2, 96/516-2, MBS 050023528 of October 25, 1996 and December 23,1996 with a head office and address at Dr. Mile Budaka 1, 35000 Slavonski Brod, Croatia. Company is currently in bankruptcy.

Duro Dakovic Prozvodnja Opreme d.o.o. is continuing the business of Duro Dakovic Industrijska Postrojenja d.o.o. until a purchaser of the assets can be found.

3 Products and Sales

3.1 **Products**

The following outlines the major product segments and products capable of being produced by the Company.

A – Equipment for the Oil and Petrochemical Industry

- Storage tanks
- Pressure vessels
- Columns
- Reactors
- Heat exchangers up to 100 t

B – Equipment for Industrial Plants

- Rotary furnaces
- Crushers
- Elevators
- Pipelines
- Cyclones
- Cement mills
- Conveyors and belt conveyer chutes
- Separators
- Silos
- Lime burning kilns

C – Equipment for Sugar Mills

- Vacuum cookers
- Juice heaters
- Filters
- Noodle dryers
- Limestone furnaces
- Diffusion towers
- Mixers

D – General Constructions

- Quayside cranes
- Gantry cranes
- Bridge cranes

Products are custom made/fabricated as per the requirements of the customer (refer Section 4 – Production and Technology for capacities).

3.1.1 **Quality Certificates**

Products are of high standard and have received quality certificates from the following classification societies:

TUV Bayern Hessen Sachsen Sudwest E.V.

Lloyd's Register of Shipping (Class I Fusion Welding Certificate)

SLV Munchen GmbH (Steel structure certificate)

3.2 **Markets and Sales**

The successor Company ĐĐ Proizvodnja opreme achieves its sales via the following two methods:

1) Direct: Direct sales to customers are often the result of an enquiry by a prospective customer familiar with the Company's capabilities.

2) Indirect: Sales are the result of the Company receiving orders from the parent company, Duro Dakovic. Sales achieved by Duro Dakovic are primarily the result of good institutional/commercial relationships with leading Croatian companies, including the large State owned oil producer, INA.

The following table shows sample sales activity and customers during 2002.

Product	Purchaser	Price (HRK)
Tank	INA-JANAF	1,388,000
Drum shell (4 units)	TPK – Zagreb	66,200
Damper	Hidro-elektrana, Varazdin	90,000
Heat exchanger	Miometal	519,413
Cochlea ring	DDI	37,135
Equipment GT24	Alstom-Ka	167,625
Repair 13E2	Alstom-Ka	13,961
Heat exchanger	Krupp Polysius	1,286,500
Crane	Engineering d.d. (Duro)	78,000
Total		3,478,834

A major contract was recently made with Krupp Polysius AG of Germany for the delivery of a heat exchanger intended for the South Korean market. Production of the heat exchanger commenced in January 2003 with a completion date of May 2003. Further potential for accelerated sales exist via demand for the Company's capabilities in producing equipment for the petrochemical industry as INA and its oil pipeline subsidiary, JANAF, upgrade their refining and pipeline facilities.

Over the last two decades, Industrijska Postrojenja d.o.o., had achieved significant sales to a number of renowned companies including:

- LINDE AG (heat exchangers, columns, pressure vessels, reactors)
- KRUPP-KOPPERS (columns, pressure vessels)
- LUMUS (spherical tanks)

- CHEMTEX (heat exchangers)
- ABB (gas turbine components)
- INA (wide variety of products for the oil and petro-chemical industry)

3.3 **Competition**

The main domestic competitors include the metal fabrication operating units or subsidiaries within the 5 major Croatian Shipyards. However, it should be noted that the metal fabrication capacities within these Shipyards are significantly lower than that of Duro Dakovic Industrijska Postrojenja.

4 Production and Technology

4.1 **Facilities**

The facility with right of access consists of the main production hall with administration building annex (11,360 m^2), an adjacent second production hall encompassing an area of 1,756 m^2 and an adjoining lot with right of access. The site is fully serviced with electricity, gas and other utilities provided by Duro Dakovic Energy Company.

The self-contained facility is located within the secure boundaries of the Duro Dakovic industrial zone (approximately 960,829 m^2). There are good road and rail links to the site and is not far from the motorway connecting Slavonski Brod to Zagreb and the rail line that runs west-east of the country providing access to both Western European and South-Eastern European markets. In addition, the town lies adjacent to the navigable Sava river.

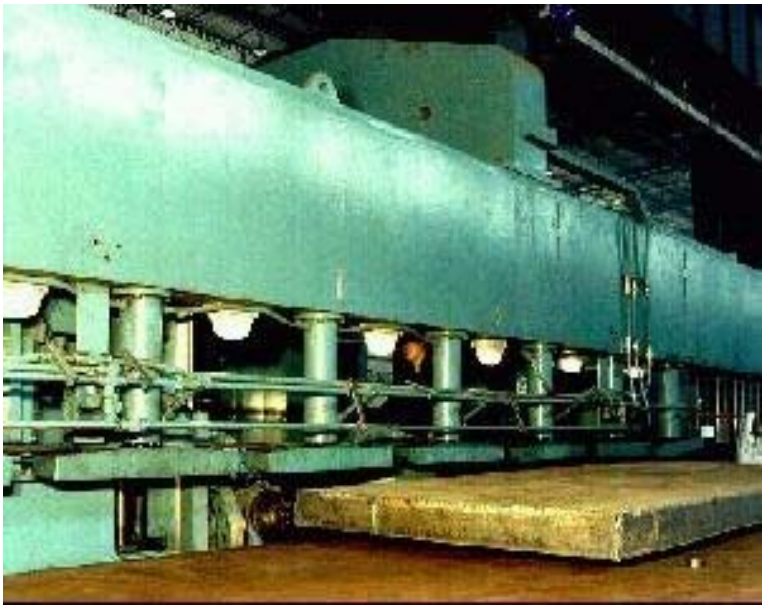
4.2 **Equipment**

All assets currently used by ĐĐ Proizvodnja opreme will be offered for sale by the bankruptcy administrator.* Major pieces of equipment include the following:

> METAL WORKING MACHINES > MILLING MACHINES

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
HORIZONTAL DRILLING&MILLING MACHINE: WFA 200B (BOHRWERK)	POREBA - Poland	1979	- Engine power: 90 kW - Number of revolutions per minute: 1-300 - Table dimensions: 16000x5235 mm - Table carrying capacity: 20 Mp/m^2, 100 t - Maximal spindle runs: x=12000 mm, y=4000 mm, z=1450 mm, w=1200 mm - Spindle diameter: 200 mm - CNC operating system
EDGE MILLING MACHINE	BONAR HUGH SMITH	1984	- Table dimensions: 15x3 m - Table carrying capacity: 50 Mp - all thicknesses plate
UNIVERSAL MILLING MACHINE: GUK-3N	ITAS –IVANEC, Croatia	1979	- Engine power: 10,5 kW - Manual operating system
HORIZONTAL DRILLING&MILLING MACHINE	VARNSDORF, TDS-Czechoslovakia	1984	- Manual operating system
HORIZONTAL DRILLING&MILLING MACHINE	STANKOIMPORT – USSR	1979	- Manual operating system

*The bankruptcy administrator will be responsible for issuing a complete list of assets for sale.



Picture 1: Edge-milling machine

> METAL WORKING MACHINES > DRILLING MACHINES

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
HORIZONTAL DRILLING&MILLING MACHINE: WFA 200B (BOHRWERK)	POREBA - Poland	1979	- Engine power: 90 kW - Number of revolutions per minute: 1-300 - Table dimensions: 16000x5235 mm - Table carrying capacity: 20 Mp/m^2, 100 t - Maximal spindle runs: x=12000 mm, y=4000 mm, z=1450 mm, w=1200 mm - Spindle diameter: 200 mm - CNC operating system
RADIAL DRILLING MACHINE: VR-8A	Czechoslovakia	1979	- Engine power: 15,5 kW - Diameter of drilling in steel: 80 mm - Spindle diameter: 110 mm - Table dimensions: 3680x1400 mm - Table carrying capacity: 60 t - Min/max distance from axis of spindle to post: 500/2515 mm - Min/max distance from top of spindle to table: 625/2200 mm - Manual operating system
HORIZONTAL DRILLING&MILLING MACHINE	VARNSDORF, TDS-Czechoslovakia	1984	- Manual operating system
HORIZONTAL DRILLING&MILLING MACHINE	STANKOIMPORT – USSR	1979	- Manual operating system
CO-ORDINATE DRILLING MACHINE : WKV-100		1976	- Manual operating system
RADIAL DRILLING MACHINE: VR-6A	Czechoslovakia	1960	- Spindle diameter: 80 mm - Manual operating system

> METAL WORKING MACHINES > METAL-TURNING LATHES

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
UNIVERSAL VERTICAL LATHE WITH TWO SUPPORTS (CARROUSELS)	RAFAMET – Poland	1979	- Main driving engine power: 100 kW - Installed power: 160 kW - Maximal diameter with vertical support: 8 m - Maximal diameter with side support: 7,5 m - Maximal height: 4000 mm - Maximal table capacity: 100 tons - Number of revolutions per minute: 0,2-33 - Manual operating system
RADIAL ROTATING LATHES: TS - 3600	WALDRICH – Germany		- Engine power: 45 kW - Number of revolutions per minute: 0,35-27 - Plate diameter: 3600 mm - Maximal workpiece diameter: 4 m - Maximal workpiece length: 20 m - Maximal workpiece weight: 100 tons - Manual operating system
UNIVERSAL VERTICAL LATHE WITH TWO SUPPORTS	STANKOIMPORT USSR	1977	- Maximal height: 1650 mm - Maximal diameter: 2350 mm - Manual operating system
METAL TURNING LATHE: PA-631-P (2 pieces)	POTISJE	1987	- Engine power: 7,5 kW - Manual operating system
METAL TURNING LATHE: TVP 30	PRVOMAJSKA, RAŠA – Yugosl.	1978	- Engine power: 11,2 kW - Manual operating system
METAL TURNING LATHE: Adapa-45	POTISJE	1981	- Manual operating system

Picture 2, 3: Universal vertical lathe with two supports (carrousels)

Picture 4: Radial turning lathe

> METAL WORKING MACHINES > SLOTTING MACHINE

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
SLOTTING MACHINE	STANKOIMPORT USSR	1977	- Manual operating system

> HEAT TREATMENT EQUIPMENT

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
STRESS RELIEVING FURNACE: 21,5x6x6 m	COOPERHEAT - England	1981	- Gas firing dimensions: 6x6x21,5 m - Max. insert plate dimensions: 5x5x21 m - Mobile table carrying capacity: 100 t - Operating temperature: 750°C - Maximal temperature: 950°C - Automatic temperature regulation: +/-10 °C - Propulsive fuel: propane-butane mixture - Associated equipment: units for annealing - Manual and automatic operating system
CHAMBER FURNACE: 4X3X0,9		1962	- Gas firing dimensions: 4x3x0,9 m - Max. insert plate dimensions: 3x2x0,9 m - Table carrying capacity: 10 t - Maximal temperature: 950°C - Temperature regulation: 6 ducts - Propulsive fuel: natural gas - Manual and automatic operating system
INDUCTION DEVICE	AEG - ELOTHERM	1980	- Power: 120 kW - Frequency: 2000 Hz - Manual and automatic operating system
TWO CHAMBER ELECTRIC FURNACE	RADE KONČAR Croatia	1986	- Chamber dimensions: 1,25x1,5x0,6 m - Power: 2x70 kW - Maximal temperature: 1150°C - Deadweight: 3 t - Manual and automatic operating system

FORGING FURNACE		1968	- Opening dimensions: 1,7x1,6x0,7 m - Manual and automatic operating system

Picture 5: Stress relieving furnace - Cooperheat

> SURFACE PROTECTION EQUIPMENT

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
SHOT BLASTING CHAMBER		1981	- Chamber dimensions: 7x15x6,8 m - Shot blasting with lead or steel shot - Compressed air plant - Ventilated workspace - Maximal workpiece: 5x5x14 m^2 - Manual operating system - Heating installed
PAINTING CHAMBER		1981	- Chamber dimensions: 18x18,5x8 m - Airless sprayer: AIRLESS WIWA 10000 S - Compressed air plant - Ventilated workspace - Manual operating system

> WELDING EQUIPMENT > MANUAL

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
IRA – 400-TIG (2 pieces)	ULJANIK, Pula Croatia	1978	- Continuous regulation
PRESTOTIG-250 (2 pieces)	OERLICON CO.	1999	- Continuous regulation

> WELDING EQUIPMENT > SEMIAUTOMATIC

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
LDA-400 (8 pieces)	ULJANIK, Pula Croatia	1983	- max. electric supply: 400 (A) - continuous regulation of welding current
SINERGIC-504 S	REHM-Germany	2001	- continuous regulation of voltage and welding

			current

> WELDING EQUIPMENT > AUTOMATIC

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
PROTIG - 250	ESAB - Sweden	1983	- Max. electric supply: 250 (A) - Associated equipment: guide, tongs for defining ∅ of pipes - Automatic operating system
A6-T (2 pieces)	ESAB - Sweden	1980	- Max. electric supply: LAD 1400 (A) - Power: 88 (KVA) - Cable length: max. L=12 (M) - Associated equipment: conducting track L=4-8 m - Manual continuous regulation
KVS – 5x5	METALNA, Maribor Slovenia	1982	- Max. electric supply: LAD 1400 (A) - Power: 88 (KVA) - Welding length: 5 m - Shell diameter: 5 m - Associated equipment: rotators/ plotting head positioner / guide - Manual continuous regulation
MKD – 6,5x6,5	ESAB - Sweden	1980	- Max. electric supply: LAD 1400 (A) - Power: 88 (KVA) - Welding length: 6,5 m - Shell diameter: 6,5 m - Associated equipment: rotators/ plotting head positioner / guide - Manual continuous regulation
ARMCO – MH 55´4	LINCOLN - Italia	1977	- Max. electric supply: LAD 1400 (A) - Power: 88 (KVA) - Welding length: 5 m - Shell diameter: 4 m - Associated equipment: rotators/ plotting head positioner/ guide - Manual continuous regulation
1/TRC/X – 9x7,2	BODE – Great Britain	1983	- Power: 88 (KVA) - Welding length: 9 m - Welding height: 7,2 m - Associated equipment: plotting head rotators - Continuous regulation

Picture 6: MKD-6,5x6,5, ESAB

> WELDING EQUIPMENT > AUXILIARY WELDING EQUIPMENT

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	yTECHNICAL CHARACTERISTICS
GROOVING SOURCE (2 pieces)	RADE KONCAR, Croatia	1980	- Max. electric supply: 400 (A) - Terminal: 380 (V) - Stepped regulation
GROOVING SOURCE: Kylbeg-1200	ESAB - Sweden	1980	- Max. electric supply: 1000 (A) - Terminal: 38 (V) - Stepped regulation
WELDING POSITIONER: 2/VP/10-S	BODE – Great Britain	1983	- Carrying capacity: 10 tons - Angle of twist: 90°C - Continuous plate twisting speed regulation
WELDING POSITIONER: VP-35	BODE – Great Britain	1983	- Carrying capacity: 35 tons - Angle of twist: 90°C - Continuous plate twisting speed regulation
WELDING POSITIONER: ZR-N-750	TPK-Zagreb Croatia	1987	- Carrying capacity: 750 kg - Angle of twist: 90°C - Continuous plate twisting speed regulation
WELDING ROLLERS: T-SAR-S-2000 (2 pieces)	BODE – Great Britain	1983	- Carrying capacity per pair: 100 tons - Continuous speed regulation
WELDING ROLLERS: SAR-2000 (2 pieces)	BODE – Great Britain	1983	- Carrying capacity per pair: 100 tons - Continuous speed regulation
WELDING ROLLERS: ONV-60 (2 pieces)	METALNA – Maribor, Slovenia	1982	- Carrying capacity per pair: 60 tons - Fixed speed regulation
WELDING ROLLERS: ZO-20 (6 pieces)	TPK-Zagreb Croatia	1980	
WELDING ROLLERS: ZO-60	TPK-Zagreb Croatia	1980	- Carrying capacity per pair: 15 tons - Continuous speed regulation

Picture 7: Welding positioner, T-SAR-2000, BODE

> DEFORMATION MACHINING EQUIPMENT > PRESSES

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
HYDRAULIC PREES: MOTALA 2500 T	MOTALA – VERKSTAD (Sweden)	1960	- Pressing force: 2500 tons - Restoring force: 250 tons - Ejecting force: 200 tons - Piston runs: 700 mm - Table dimensions: 2990x5360 mm - Working area of table: 2000x4500 mm - Insertion height: 1700 mm - Associated equipment: bending tools - Manual control system
HYDRAULIC PREES: DUISBURG 1000 T		1960	- Pressing force: 1000 tons - Ejecting force: 75 tons - Piston runs: 1500 mm - Table dimensions: 2990x5360 mm - Working height: 2650 mm - Pressing, forging - Associated equipment: bending tools - Manual control system
HYDRAULIC PREES: ASVALD 200 T		1960	- Pressing force: 200 tons - Piston runs: 350 mm - Working area of table: 800x1200 mm - Working height: 900 mm - Associated equipment: bending tools - Manual control system

> DEFORMATION MACHINING EQUIPMENT > BENDING ROLLS

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
BENDING ROLL	HEUSLER AG-Switzerland	1980	- Upper roller diameter: 950 mm - Minimal bending diameter: 1100 mm - Working length: 3000 mm - Maximal bending thickness: 120 mm - Installed power: 1700 tons

			- Working speed: 2-4m7min. - Drive: hydro-aggregate 300 bar - Manual control system
BENDING ROLL	VöEST AUSTRIA	1960	- Upper roller diameter: 650 mm - Min/Max bending diameter: 700 / 6000 mm - Working length: 5000 mm - Maximal bending thickness: 35 mm - Manual control system
BENDING ROLL	VöEST AUSTRIA	1963	- Upper roller diameter: 350 mm - Min/Max bending diameter: 400 / 3200 mm - Working length: 3250 mm - Bending thickness: 16-40 mm - hot bending roll - Manual control system
BENDING ROLL	VöEST AUSTRIA	1967	- Upper roller diameter: 210 mm - Min/Max bending diameter: 250/3000 mm - Working length: 3000 mm - Bending thickness: 8-16 mm - Minimal bending diameter: 700 mm - Manual control system
"BIG" MACHINE (big)		1960	- Maximal plate thickness: 10 mm - Knife length: 4000 mm - Maximal workpiece length: 3800 mm - Bending capability: up to 1000 mm
"BIG" MACHINE (small)		1960	- Maximal plate thickness: 10 mm - Knife length: 3000 mm - Maximal workpiece length: 2800 mm
HERKULES (Profile bending)		1974	- Bending pipes tools: ∅ 160

Picture 8, 9: Bending roll, Heusler

> EQUIPMENT FOR CUTTING

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
AUTOMATIC GAS CUTTING MACHINE	ESAB-KEBE GmBH	1980	- Max length: 13 m - Max width: 4 m - Plate thickness: 200 mm - Cutting gas: acetylene - Automatic control system

OPTICAL CONDUCTION GAS CUTTING MACHINE	OPTOTAJ 20 ULJANIK PULA Croatia	1984	- Max length: 9 m - Max width: 2 m - Plate thickness: 250 mm - Cutting gas: acetylene - Automatic control system
MACHINE SCISSORS: HM5/2000	JELŠINGRAD	1976	- Maximal cutting thickness: 5 mm - Maximal cutting length: 2050 mm - Number of runs: 26-75 m-1 - Engine power: 5,5 kW - Clearance between knifes: 0,5-2 mm - Manual control system
MACHINE SCISSORS: HMG 16(20	JELŠINGRAD	1978	- Maximal cutting thickness: 16mm - Maximal cutting length: 3100 mm - Number of runs: 9-30 m-1 - Engine power: 30 kW - Clearance between knifes: 1-3,4 mm - Manual control system
CIRCULAR SAW			- Maximal cutting diameter: 600 mm - Length: 6 m - Weight: 15 t

> QUALITY CONTROL EQUIPMENT

TYPE OF MACHINE	MANUFACTURER	YEAR OF MANUFACTURE	TECHNICAL CHARACTERISTICS
LINEAR ACCELERATOR LINATRON 400	VARIAN- SAD	1982	- Examining thickness: up to 300 mm - Maximal energy: 4 MeV - Requires repair - Associated equipment: overhead travelling crane
RöNTGEN DEVICE, 300 kv	RICH SEIFERT CO. Germany	1989	- Examining steel material up to 40 mm
ISOTOPE	RICH SEIFERT CO. Germany	1985	- Examining steel material up to 80 mm - Radiation source: Ir-192, 1,85 TBg - Table dimensions: 16000x5235 mm - Table
ULTRASONIC DEVICE: NSL-32	KRAUTKRAMER Germany	1980	- Ultrasound examining thickness of steel material: above 10 mm

Additional machines includes: auxiliary welding equipment (positioners, rotators, etc.), overhead travelling cranes (Q160/32, 25+25,14-NP, 32-10-NP, 50-10-NP, 20+20, Q10T, 5Q), smaller cutting tools, means of transportation (fork trucks, auto-crane, trucks, etc), furnaces for desiccation of additional welding materials, floor hole (5x5x4 m), etc.

4.2.1 *Quality Procedure Assurances*

Quality procedure assurances have been obtained to the following levels;

X-ray examination: Level I

Ultrasonic examination:	Level III
Liquid penetrate testing:	Level I
Magnetic flux testing:	Level I
Welding Procedure	ASME - Material group from P1 to P9, combinations P1 + P8
Carbon & stainless steels	AD-MERKBLATTER HP0

5 Personnel

5.1 **Management and Workforce**

The General Manager of successor company Duro Dakovic Proizvodnja opreme is Mr. Srecko Savic. The Company is organized into the following departments:

1. Sales
2. Supplies
    a) Warehouse
3. Planning
    a) Project and Construction
    b) Technology preparation
    c) Control
4. Production
    a) Organization and planning
    b) Workshop
    c) Preparation
    d) Maintenance
    e) Safety

Workforce: Years of service

Years of Service	Number of employees
0-5	2
6-10	4
11-15	5
16-20	6
21-25	31
26-30	21
31-35	14
Total	83

The above table shows years of service of the employees. The workforce numbers 83 and is primarily drawn from the town of Slavonski Brod and surrounding districts. Management considers the current number, structure and experience of the workforce satisfactory to meet the current production program of the Company.

Qualifications: Staff

Qualifications	VSS	Vss	SSS	VKV	KV	NSS	PK	NK	Total
TOTAL	7	2	12	8	33	0	20	1	83

VSS=University Degree, Vss=College/Trade School, SSS=Secondary School, VKV=Highly Skilled worker, KV=Skilled Worker, NSS=Elementary School, PK=Semi-skilled Workers, NK=Unskilled Workers

Currently, all employees are under temporary employment contracts providing the Company with full flexibility with respect to its requirements of labor personnel.

6 Industry Overview

6.1 **Metal Fabrication in Croatia**

The Croatian metal manufacturing industry is characterized by the manufacture of: seamless and welded steel tubes; reinforcement steel bars and wire rods; processing of aluminium; castings of metal and the production of ferroalloys.

The manufacturing sector in Croatia comprises 20% of total gross domestic product (approximately $US 20.5 billion at the end of 2001) and accounts for 95% of its merchandise exports. Since 1995, the output of electrical machinery and equipment has been increasing (refer table below) and at the end of 2001, exports of electrical machinery and equipment totaled $US 197,888,000.

Industrial Production Index

(1995 = 100)	1996	1997	1998	1999	2000	2001
Manufacturing industry (total)	101.3	105.2	108.6	105.5	108.5	115.4
Manufacture of electrical & optical equipment	104.6	106.3	102.0	101.5	112.1	104.5
Manufacture of office machinery & computers	91.0	88.0	57.9	41.8	50.0	52.8
Manufacture of electrical machinery and equipment	101.7	103.0	118.9	123.2	110.3	131.3
Manufacture of communication equipment	113.8	120.1	86.8	88.3	115.8	73.4
Manufacture of medical, precision & optical instruments, watches & clocks	70.4	72.8	84.5	78.4	72.7	85.6

Source: Croatian Bureau of Statistics

6.2 **Druzba-Adria Project**

The Company is well placed to participate in providing equipment required for upgrade to the Druzba-Adria Project - a project that involves the export of Russian crude oil to world markets by means of the existing pipeline systems that extends from Samara in Russia to the Omisalj tanker port and terminal i.e. a distance of some 3,200 km.

The pipeline will require major upgrades particularly in the pipeline section between Sisak and Omisalj, to enable it to eventually deliver 15 million tons of crude oil per annum. The governments of Russia, Belarus, Ukraine, Slovakia, Hungary and Croatia recently signed an agreement in support of the project expected to in its first phase deliver approximately 5 million tons of crude oil by early 2004.